

SUPPORT FOR MODERNIZING THE CORDOBA PROVINCIAL GOVERNMENT

(AR-0257)

EXECUTIVE SUMMARY

Borrower:	The Province of Cordoba	
Guarantor:	The Argentine Nation	
Executing agency:	The Government of the Province of Cordoba, through the Organismo de Coordinación, Programación de la Inversión y Financiamiento (OCPIF) [Investment Programming and Financing Coordination Agency]	
Amount and source:	IDB: (OC)	US\$215 million
	Local:	US\$215 million
	Total:	US\$430 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	4 years
	Disbursement period:	4 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
Objectives:	Currency:	U.S. dollars from the Single Currency Facility
	<p>The general objective of the program is to improve the province of Cordoba's financial and administrative management capacity in order to lay the groundwork for a sustainable fiscal balance in the medium and long terms and respond satisfactorily to the demands of society.</p> <p>The main strategic objectives are to: (a) boost the province's capacity to invest using own resources (modernization of the provincial tax administration); (b) achieve higher quality in public spending (budget based on results and stricter financial and procurement controls); (c) introduce greater transparency in fiscal</p>	

and administrative management (publication of results and citizen participation in strategic decision making); (d) support the restructuring of government institutions (introduction of sector agencies); (e) support the management and implementation of public policies in the social sectors, particularly school coverage, assistance for vulnerable groups and access to justice; (f) strengthen the agencies responsible for environmental management, production and infrastructure; (g) improve the efficiency of legislative management and activities; and (h) introduce mechanisms to promote better integration and coordination of the different bodies of the executive branch, the different branches of government (executive, legislative and auditing) and the municipalities.

Description:

A global reform program has been designed for the province of Cordoba to achieve the above-mentioned objectives. This program consists of five components to be coordinated by a provincial government body that specializes in project coordination and execution. The five components are: fiscal administration, general government administration, control over public management, social and citizen promotion, and environmental and economic development. The components have generally been divided into subcomponents which, in turn, are divided into specific projects to be carried out in different areas by the ministry or agency responsible for the sector.

The Bank's country and sector strategy:

The Bank's strategy in Argentina focuses on three main areas: (a) deepening and consolidation of modernization of the State and its extension to provinces and municipalities; (b) increased productivity and competitiveness of domestic production; and (c) poverty reduction and a better quality of life through job creation and greater access to basic services and improvements in their coverage and quality. The proposed program is consistent with this operating strategy since it will help strengthen the public sector and, as a result, will have a positive impact on the delivery of public services to improve the quality of life of different groups. Providing direct support for provinces in modernization of the State and fiscal reform is also consistent with Bank strategy.

Environmental and social review:

The program was reviewed by the Environment and Social Impact Committee (CESI). It is not expected to have negative environmental or social impacts. On the contrary, the program will have a positive impact on the quality of life of the poorest families, particularly female heads of households, through improvements in education and

health care services and broader coverage of programs to assist vulnerable groups. From the environmental standpoint, the program will have a significant positive impact since it includes a specific project to strengthen provincial environmental management.

Benefits:

The program will boost the provincial government's financial and administrative management capacity. An analysis of the financial impact of this loan and a complementary loan by the World Bank indicates that in all the scenarios considered provincial finances will improve overall. The efficiency of public services and attention to society's demands will also increase. In the area of financial management, the principal advantages will be: (a) the introduction of decentralized budget formulation by the government's line areas, which are the areas that deliver end products to citizens; (b) the programming of flows of funds for efficient management of public resources; (c) the introduction of streamlined mechanisms for expeditious collection of revenues and prompt payment of obligations; and (d) the provision of timely and reliable information on income and expenditures that can be used for managerial decision making and as input for the integrated financial information system. The program will also have a positive impact on the quality of life of the poorest families, particularly female heads of households, by expanding access to education and the coverage of programs to assist vulnerable groups. With poor children able to attend school for the first time, their mothers will have time to engage in remunerated employment outside the home, for a positive impact on employment for women.

Risks:

The province of Cordoba recently joined the Bank's program for health care reform, is eligible to receive funds under the program to assist children and adolescents at risk, and is participating in the emergency program to repair the damage caused by El Niño, through the reconstruction of roads and other infrastructure, chiefly in the southern part of the province. The World Bank will also provide support under a sector loan to strengthen the macroeconomic context and privatize the provincial bank, the energy company and the provincial lottery.

Owing to the confluence of all these factors, it is indispensable to coordinate actions to assist the provincial government, particularly those of the two lending agencies, to prevent duplication of efforts. Considering the province's overall debt level, coordination is also necessary to ensure that the province will have the solvency necessary to repay the new debt and to provide the counterpart for the program as a whole. The program's design, execution and final scaling take these aspects into account.

Another risk is the less than adequate capacity of the provincial government's own human resources and the need to reassign personnel to the recently-created agencies and new functions. This risk is mitigated by large-scale training programs for managers, professionals and operating staff, with the support of the personnel regulations established in the law. The introduction of a permanent training program will optimize and strengthen the government's human resources.

**Special
contractual
clauses:**

Prior to the first disbursement of the loan, the government of the province of Cordoba will present evidence, to the Bank's satisfaction, that it has: (a) contracted the four coordinators for the program coordination and executing unit (paragraph 3.4); (b) placed in effect the Operating Regulations and its annexes and operating manuals agreed upon with the Bank (paragraph 3.9); and (c) presented the work plan for the first year of the program as part of the initial report (paragraph 3.24(a)).

As a condition precedent to disbursements for the subcomponents for external auditing and the legislative branch, the provincial government will present evidence, to the Bank's satisfaction, that it has signed subsidiary agreements with the Provincial Auditor's Office and the legislative branch, respectively.

As a special condition, the Bank will evaluate every six months the extent to which the annual fiscal targets set out in paragraph 2.3 have been met and will monitor compliance with these targets on a semiannual basis, to determine whether the targets have been fulfilled and, if not, to take such corrective action as is needed (paragraph 3.23).

At the provincial government's request, it is recommended, as a special condition, that costs of up to US\$80 million be recognized for obligations contracted and expenditures made from the local contribution since October 1, 1999 for: (a) up to US\$30 million for modernizing information systems and upgrading technological infrastructure that the government had to perform in preparation for Y2K; and (b) up to US\$50 million for the construction of 100 schools in different parts of the province. Both categories are eligible for cost recognition provided they have complied with requisites substantially similar to those to be established in the loan contract (paragraph 3.18).

**Poverty-
targeting and
social sector
classification:**

This operation does not qualify as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Exceptions to Bank policy:

The Argentine Nation will be the guarantor of the loan. However, it will only guarantee repayment of the loan, including interest and fees, but not of the local contribution or the obligations that are incumbent on the provincial government.

Procurement:

Procurements of goods and contracts for works and services will be carried out in accordance with the Bank procedures described in Annexes B and C of the loan contract. Works costing US\$5 million and over, goods worth US\$350,000 and over and consulting services over US\$200,000 will be procured through international competitive bidding. Procurement below those amounts made with loan proceeds will be carried out in accordance with provincial procurement procedures that ensure free competition, are not in conflict with Bank policies, and do not prevent firms from the Bank's member countries from participating in the bidding. Consulting services under US\$200,000 will be contracted in accordance with Bank procedures.

It is recommended that prior consultation with the Bank only be required for individual consulting contracts over US\$50,000 and contracts with consulting firms over US\$100,000. Contracts below those amounts will be reviewed on the basis of ex post sampling. In the event that the agreed procedures are not followed, the costs will not be eligible for Bank financing.